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BANGALORE,
1st April 1935.

No. POL. 1083—P. P. 97-30-24,

FROM

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore.

To

The Secretary to the Hon'ble the Resident
in Mysore, Bangalore.

SIR,

I am directed to address you again on the subject of the Mysore subsidy and to request that this letter may kindly be forwarded to the Government of India for their early and sympathetic consideration with the support of the Hon'ble the Resident.

The subsidy, which was imposed on Mysore under the Subsidiary Treaty of 1799, has been paid annually to the Government of India for the past 135 years. For some time it was increased by Rs. 10½ lakhs, and the enhanced payment of Rs. 35 lakhs was made regularly for a period of 32 years from 1896 to 1928 when it was reduced to the sum originally fixed by the Treaty of 1799. Even in the early days this payment was regarded as a heavy burden, and Sir Arthur Wellesley (later Duke of Wellington) who had taken a leading part in the drafting of that Treaty, characterised it as "a heavy drain upon the resources of the State." The lapse of a century and a quarter has not in any way lightened the burden but has made it the heavier by the addition of other forms of contribution the extent of which was hardly foreseen at the time when the subsidy was imposed. Large sums of money are now contributed by the people of Mysore to the Indian Exchequer in the form of maritime customs and similar taxes levied by the Government of India. With the continued rise in the level of these duties, the magnitude of the indirect contributions has increased enormously of late years, and they are now more than adequate to cover the share of All-India expenditure which might be expected of Mysore. According to the report of the Special Committee (the Nind Committee) which was appointed in 1931 to investigate facts relevant to the economic and financial relations between the Government of India and the Indian States, Mysore contributes to the Indian Exchequer about Rs. 125 lakhs annually, and its share of the cost of general defence and other Imperial burdens approximates to the same amount. The levy of the subsidy along with these contributions is, therefore, clearly a payment in excess, and constitutes a burden for which there does not appear to be any justification whatever.

The Mysore tax-payer is called upon to support a much heavier burden than he would have been if the State was a British Province. (*Vide* enclosed copy of the letter, dated 5th January 1934, to the Political Secretary). For a century and more, Mysore has been urging repeatedly a more equitable treatment in respect of this matter and demonstrating the justice of this claim.

The recent constitutional discussions have revealed how imperative it is immediately to do away with payments of this kind, which in the words of the present Secretary of State (Sir Samuel Hoare) are "historic survivals." They are arbitrary and unequal in their incidence, the single State of Mysore paying as much as one-third of the total receipts of the Government of India from this source. Successive Committees of the Round Table Conference were satisfied that payments of this nature contravened the principles underlying the new constitution that is proposed. Only the fear of lack of resources at the Centre prohibited the Peel Committee (1931) from recommending their immediate abolition. They felt convinced, however, that there were certain cases in which real hardship was inflicted by the relative magnitude of these payments, and they accordingly recommended that that part of the cash contribution of a State which was in excess of 5 per cent of its total revenues should be abolished at once. This was endorsed by the Davidson Committee, and they calculated the amount to be remitted in the case of Mysore to be Rs. 7,17,700 (Para 88 and Appendix IV at page 207). The Committee stressed the fact that relief in such cases was "intended to be immediate, that is to say, prior to Federation" (Para 443).

But even this comparatively small sum was not remitted on the ground that the financial position of the Government of India did not permit of foregoing it. No consideration was paid to the financial position of the State. The Secretary of State made it clear in the course of his evidence before the Joint Parliamentary Committee that the main reason which prevented him from moving in the direction of extinguishing altogether these "tiresome forms of contribution" was the financial situation. He observed that there was no money available to the Government of India in the abnormal times through which that Government was then passing to extinguish these payments, but that he was anxious to make the remissions as soon as he could (J. P. C. Minutes of Evidence, Questions 8199-8202 and 8471).

Conditions seem now to have changed for the better and the finances of the Government of India show considerable improvement. There has been a surplus of nearly six crores within the last two years after making grants to deficit Provinces of considerable sums, amounting, in the case of Bengal, to as much as a crore and a half. The prospects of the coming year also are cheerful. A surplus of nearly a crore and a half is expected, and the Government of India find themselves in a position to make liberal grants to the Provinces for various purposes—a crore, for example, for rural uplift. There

can no longer be any reason for withholding from Mysore a relief of which she stands in dire need.

The State is still passing through a period of acute financial distress. It is found difficult to meet the increasing demands of administration and to maintain budgetary equilibrium. Drastic economies have been effected on all sides and all means of improving the revenues have been exhausted. The total remission of the subsidy at this critical juncture would be welcomed by the people of Mysore and help the Government to deal with its difficulties. Mysore appeals to the Government of India once more to relieve it of a burden which it can no longer bear.

I have the honour to be,
Sir,
Your most obedient servant,
R. RANGA RAO,
Chief Secretary.